

Decentralise the PDS

Grassroot functionaries should be encouraged to handle and distribute foodgrains, says Uttam Gupta

WHEN economists Jagdish Bhagwati and T N Srinivasan recommended dismantling of the public distribution system, this got an immediate rebuff from food and civil supplies minister A K Antony who dubbed these well known economists as being totally ignorant about the real-life situation in India. Indeed, their recommendation might look a bit far-fetched given the widespread poverty as also the not-too-credible record of free market forces in ensuring grain supply to the poor at reasonable prices. But, our political leadership would do well not to ignore the key message in what they have said.

Howsoever laudable the objectives of the PDS may be, the fact is that the entire machinery of the Food Corporation of India is dilapidated, providing extremely poor quality foodgrains — that too after subjecting the poor to a great deal of torture, both physical and mental. In recent years however, a poor man has to visit the ration shop several times before he can hope to procure his minimum requirements of wheat/rice or any other cereal.

All this, the poor could have taken in stride, had he bought the food at prices substantially lower than the market price. Under the new agricultural pricing policy — the key highlight of which is that the consumers must pay for the full cost — even this satisfaction seems to have more or less disappeared. Consequently, whenever the government pays more to the farmers by way of hike in minimum support/procurement price, there is a commensurate increase in the issue price. The deviation (kharif season) this time has more to do with the political compulsions in the context of ensuing assembly elections in four major states and is not an indication of a policy reversal. Currently, while the farmer gets Rs 3.30 per kg for wheat as the procurement price, this is also the price paid by the consumers.

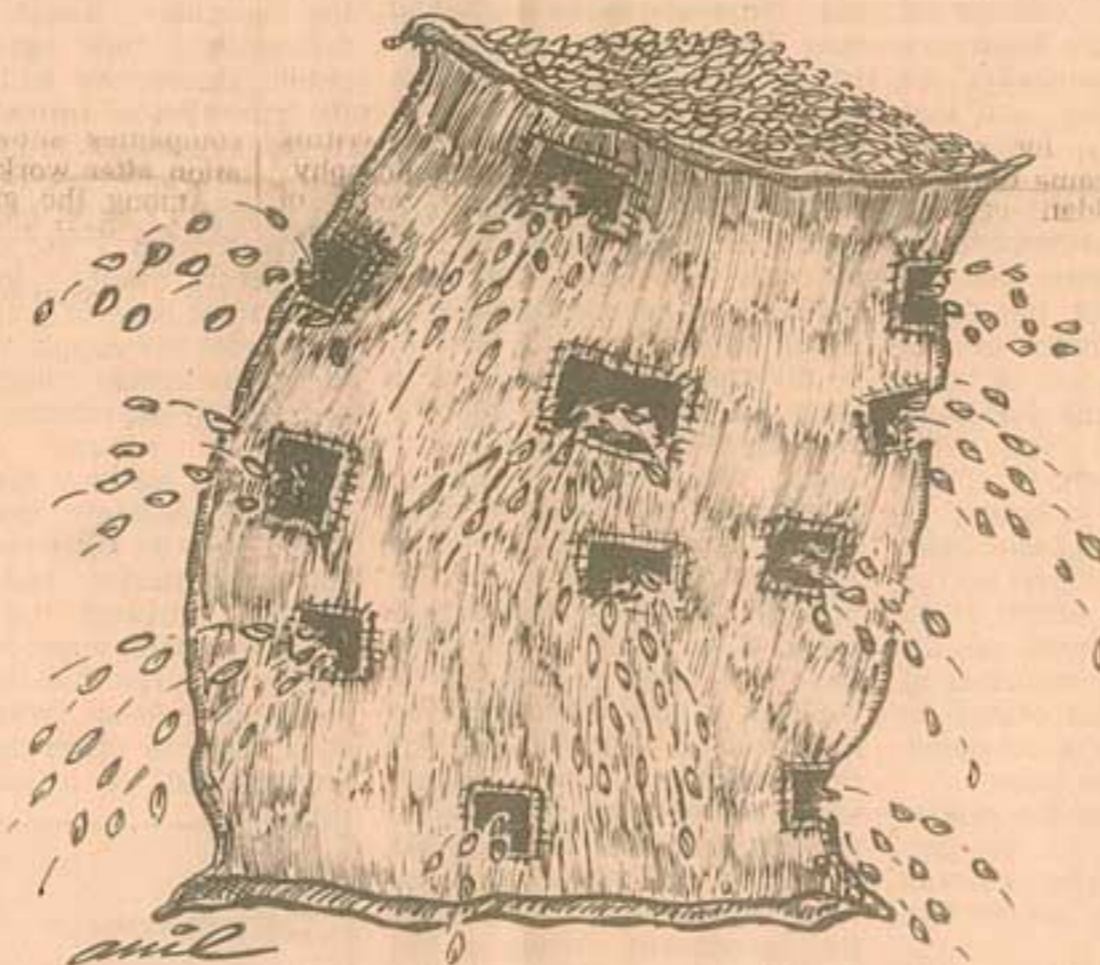
Something that makes a mockery of the PDS is its highly inequitable reach and coverage. It is against this backdrop that the galloping subsidy on food is a matter of serious concern. From a low of Rs 650 crore in 1980-81, it has already risen to Rs 2,900 crore (the revised budget estimate for 1992-93). Indeed, the actual requirements are placed at a much

higher level of about Rs 4,000 crore. And, given the fact that the issue price of foodgrains from the PDS is not very different from the procurement price, the subsidy is essentially towards meeting the handling and distribution costs of FCI. One can't escape the inevitable conclusion that the exchequer is paying a heavy price for running this monolithic organisation.

The sudden dismantling of the PDS may lead to untold miseries to a large number of poor as it is impossible to develop an alternative at short notice. At the same time, the present

precondition for establishing their identity as bonafide Indian citizens. If this irritant is removed, they would volunteer to opt out of it.

The government is required to issue a notification which categorically directs all local/municipal authorities and concerned departments/ministries not to insist on a ration card as a precondition for processing cases for approval/clearances. The concerned authorities can always use other means to verify a person's bonafides. Surplus foodgrains, thus released, could be utilised for expanding the PDS to include more of the rural poor.



arrangement with all its attendant distortions and unprecedented cost to the exchequer is inherently unsustainable and cannot be allowed to continue.

As an immediate step, the rich or the high-income group need to be taken off the ambit of the PDS. There is hardly anyone amongst the powers that be, who has not concurred with this view. Indeed, even the government has announced its intentions to this effect in Parliament. The necessary exercise should be initiated right away. We should also consider the fact that not all the well-to-do are interested in buying cereals at subsidised prices and yet they have to be a ration card holder mainly because this is regarded as a

As a second important step, the government should effectively address the task of improving the efficiency in handling and distribution operations of the FCI.

The present basis of reimbursing the cost particularly in respect of inventory carrying and warehousing on "actuals" is totally unjustified and, in fact, serves as a licence to inflate cost and even increases the changes of funds misappropriation. The norm specified for losses during transit i.e. 3 per cent irrespective of the distance over which the grain is transported, is not only arbitrary, but, too costly resulting in unwarranted increase in the expenditure having to be borne by the exchequer. The prevailing system has to change in

favour of giving a fixed remuneration to the FCI (say on a per tonne basis) towards handling and distribution cost computed on the basis of predetermined norms for inventory holding, the number of handlings involved and rail-road mix in moving the foodgrains. Only when the need for holding stocks longer than the norm can be strongly justified, should a deviation be permitted.

A third step would be to develop an alternative channel to the present FCI paraphernalia. This however, presupposes a fundamental change in the attitude that only the government can administer to the needs of the poor. Farmers could be encouraged to form cooperatives and with suitable support from the government, including financing by banks, enabled to set up their own distribution network. Alternatively, unemployed youth, particularly those with training in rural/agricultural development, could be roped in for undertaking procurement, handling and distribution. Recent announcement of a scheme by the Prime Minister for providing a loan of Rs 100,000, including a subsidy element of Rs 7,500, to the unemployed undertaking productive activity could be relevant here. The institution of the panchayati raj should be used as the nodal point for forging the required links and removing bottlenecks.

Meeting food requirements requires large-scale movement from surplus to the deficit areas and storage at centralised/strategic locations. These operations may necessarily have to be performed as a centralised activity by the FCI or any other designated government agency run on professional lines. However, there has to be a constant endeavour, to enable the farmers' cooperatives or even groups of unemployed youth to take on even these responsibilities.

What is being envisaged here is the emergence of farmers/youth organisations which would undertake all functions connected with marketing and distribution of food with the government only playing a catalytic role. That would prove to be a much more "committed" and "effective" channel subserving the objectives of the food policy than the present network of ration shops.

In short, the present highly-centralised PDS network will have to give way to a decentralised system managed by grassroot functionaries.